

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



**FILED**  
4-25-17  
04:59 PM

Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations.

Rulemaking 12-06-013  
(Filed June 21, 2012)

**OPENING COMMENTS  
OF THE OFFICE OF RATEPAYER ADVOCATES  
ON THE APRIL 14, 2017 ADMINISTRATIVE LAW JUDGES'  
RULING ON STATEWIDE MARKETING, EDUCATION, AND OUTREACH ON  
RESIDENTIAL RATE REFORM**

**I. INTRODUCTION**

Pursuant to the April 14, 2017 Administrative Law Judges (ALJs) Ruling (the Ruling), the Office of Ratepayer Advocates (ORA) hereby submits comments responding to the questions posed regarding a statewide residential rate reform marketing, education, and outreach (ME&O) implementer. In these opening comments, ORA does not address each specific question but provides comments and recommendations broadly. ORA reserves the right to reply to additional items based on parties' opening comments.

**II. DISCUSSION**

**A. Determining a Scope and Budget for Statewide Rate Reform ME&O is Premature**

California's default TOU Program involves various exclusions required by law.<sup>1</sup> Pilot studies currently are being conducted to determine if additional exclusions would be

---

<sup>1</sup> E.g. Public Utilities (P.U.) Code Section 745(c)(1) requires exemption from default TOU rates without affirmative consent for medical baseline customers, customers requesting third-party notification, customers that require an in-person utility visit before disconnection, and other customers designated by the commission in its discretion; P.U.

necessary.<sup>2</sup> The recent findings from the TOU opt-in pilots conducted by Nexant also demonstrate variation in customer impact within each Investor Owned Utilities' (IOU) service territories and among the IOUs. For example, under PG&E's Rate 1 "[t]he variation in absolute impacts across climate regions is much greater than the variation in percent impacts due in part to variation in electricity usage (e.g., the reference load) across regions."<sup>3</sup> Variability of opt-out rates among IOUs is also significant as the attrition rate within SCE's Rate 3 pilot is "more than 10%,"<sup>4</sup> compared to the other pilot rates which only experienced a "2.3% [attrition rate]... over the roughly six month period from enrollment in June to the end of December."<sup>5</sup> Moreover, the IOUs' differing proposed default TOU timelines<sup>6</sup> add another layer of complexity to design the messages. These constraints naturally limit what the statewide rate reform ME&O can and should do, or even if a statewide approach would be effective.

In the December 17, 2015 assigned Commissioner and ALJ ruling, IOUs were directed to hire a consultant to advise the ME&O working group and develop a plan for statewide ME&O program coordination. The selected consultant, Greenberg, delivered the plan, which is titled RROIR ME&O Blueprint, on August 20, 2016. Greenberg's RROIR ME&O Blueprint and the IOUs' own proposed marketing plans indicate that many customers are indifferent to electricity matters and do not pay close attention to

---

Code Section 745(c)(4) requires that customers who do not have 12-month interval data be excluded from default TOU.

<sup>2</sup> P.U. Code Section 745(c)(2) requires that the Commission ensure that TOU does not cause unreasonable hardship for senior and economically vulnerable customers in hot climate zones.

<sup>3</sup> TOU Pilot Evaluation First Interim Report, at p. 218.

<sup>4</sup> *Id.*, at p. 203

<sup>5</sup> *Ibid.*

<sup>6</sup> "SCE is proposing to expedite the residential default TOU plan from Spring 2019 to late 2018 through Q1 2019 (Wave 1); freeze default activities between March 2019 and 2020; and recommence default TOU in mid-to late-2020 (Wave 2)." AL SCE 3500-E-A p. 2.

energy-related messages.<sup>7</sup> Given these findings, ORA is concerned that a budget such as the one proposed by Greenberg, at over \$360 million,<sup>8</sup> would yield enough benefits to justify such a large expense.

If there are clear benefits to engaging in a statewide campaign, ORA does see some benefit in linking it to the statewide Energy Upgrade California (EUC) campaign messaging. However, without a clear scope in place, it is difficult to determine what role DDB<sup>9</sup> will have and whether this would be considered an extension to its work in the EUC campaign. ORA suggests that the IOUs coordinate amongst themselves to prepare an informational report on what DDB's role should be if they were assigned as the implementer for statewide rate reform ME&O. The report would take into account that DDB is being assigned this role as an extension to their existing role. Finally, the report should be presented to the Rate Reform Working Group for discussion and ultimately to inform a scope. Once this has been established the Commission and/or the IOUs could move forward with a market survey to determine an appropriate budget.

**B. Expanding Role of Statewide Marketing Firm Currently Responsible for Energy Efficiency Programs**

The Ruling notes that the Commission has tasked a single marketing firm, named DDB, with statewide marketing for the energy efficiency programs through EUC campaign. DDB is also tasked with ensuring coordination between EUC and other energy programs adopted by the Commission.<sup>10</sup> The Ruling asks parties if the Commission should direct the IOUs to enter into a contract with DDB as the implementer of the statewide rate reform ME&O strategy.

There are some benefits for selecting DDB as an implementer for statewide rate reform ME&O which include:

- avoiding duplicative efforts and expenditures,

---

<sup>7</sup> Slide 92 in Greenberg's ME&O Blueprint presentation dated August 19, 2016 and SCE AL3500-E-A, p.53.

<sup>8</sup> Budget estimate for a statewide rate reform ME&O plan. Summation of estimated budgets listed on page 7 of the Greenberg report, "RROIR MEO Blueprint | Executive Briefing."

<sup>9</sup> Marketing firm selected as the statewide implementer of the EUC campaign.

<sup>10</sup> ALJ Ruling, p. 6.

- preventing conflicting messages, which minimizes customer confusion, and
- allowing for a more cohesive and effective campaign for both residential rate reform and EUC.<sup>11</sup>

On the other hand, this approach would forego an open and competitive solicitation process, specifically the Request for Proposal (RFP) process, which tends to afford more assurance of selecting a qualified candidate at a reasonable cost. Moreover, it is important to note the distinction between an extension of an existing scope of work and an entirely new scope of work. For instance, the Ruling states that the considered extension of scope “holds promise of avoiding duplicative efforts and expenditures” and that it “could potentially allow for more strategic use of ratepayer dollars.”<sup>12</sup> These statements, along with the underlying idea of an expansion, imply that the new scope of work would be incremental to the existing scope. Therefore, the new scope for statewide rate reform ME&O should truly be incremental. In other words, the scope should be narrow enough to be considered an extension of DDB’s work and not an entirely new task, with the contract administrator able to determine the reasonableness of any incremental costs. Should the Commission develop a new scope which cannot reasonably be considered incremental then the Commission should consider whether an expansion of scope is appropriate in lieu of the RFP process.

One significant risk of the proposal, to add these tasks to the existing DBB contract, is that there is no effective way to assess the costs of the potential incremental ME&O work. If the Commission determines that time constraints make it infeasible to conduct a full solicitation, ORA proposes a middle ground solution where the Commission and/or the IOUs conduct a market survey. This market survey would include price discovery of qualified firms for tasks related to a statewide rate reform ME&O. The results would narrow the scope and budget to something actionable. The firms which were involved in the statewide EUC RFP process should be among the firms that would

---

<sup>11</sup> ALJ Ruling, pp. 6-7.

<sup>12</sup> *Ibid.*

be included in such a market survey. All firms surveyed should be considered as potential firms to be awarded the ME&O contract for outreach related to rate design. This process would not add much time to the overall timeline and could provide the basis for a formal scope and budget.

### **III. CONCLUSION**

It is important that the process of determining the implementer for statewide rate reform ME&O remain open and transparent. Further, a process, such as the one ORA is recommending, could serve as the appropriate venue to develop both a scope of work and budget. If the Commission decides that an extension of scope to DDB's current work is appropriate then the IOUs should be involved in the development of a statewide rate reform ME&O scope that complements their individual ME&O plans. Finally, a market survey could be used once a scope has been determined to assist in the development of a budget.

ORA appreciates the opportunity to provide its input and hopes the Commission considers these comments and recommendations when creating guidance on how best to move forward.

Respectfully submitted,

/s/ WILLIAM MAGUIRE  
WILLIAM MAGUIRE

Attorney for the  
Office of Ratepayer Advocates

California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102  
Telephone: (415) 703-2642  
E-mail: [william.maguire@cpuc.ca.gov](mailto:william.maguire@cpuc.ca.gov)

April 25, 2017